



## Summary and recommendations

The Swedish National Audit Office has reviewed the effectiveness of the investment aid for the construction of special housing for the elderly provided to property developers during the years 2007 to 2014. In the audit, the term “special housing for the elderly” is employed. This refers to housing pursuant to Chapter 5, § 5 of the Social Service Act (2001:453), (SoL), which states that the municipalities are responsible for providing special housing forms for service and nursing care for older people who require special support.

## Background and motivations

In the early Nineties, the so-called “Ädel reform” (the Elderly reform) was implemented. In connection with this, the municipalities became obliged to set up special forms of housing, such as homes for the elderly. Just over ten years later, the number of places in special housing forms for the elderly fell drastically. Because the Swedish Government felt that the decrease in places had led to a shortage of places, the investment aid was established in 2007. The aim of the aid was that it would lead to the construction of more places in special housing for the elderly. At the same time, the idea behind the aid was

that municipal geriatric care would be improved as a result of the increased number of places in special housing. The aid went to the developer, who could be a primary municipality, a county, a company, a foundation, etc. In total, just over 13,000 apartments have been built and more than 1.5 billion SEK has been disbursed. The National Board of Housing, Building and Planning evaluated the investment aid in 2013 and could not determine whether or not the accommodation that had been built were built as a result of the investment aid. Despite the fact that the state of knowledge about the real effects of investment aid was unclear, in 2016 the Government introduced a new investment aid package with much the same structure as the previous one. However, the new aid does not have a time limit. When the National Board of Housing made its assessment, the agency did not have data for the entire period, because it was still ongoing. Considering that the effects of the aid are unclear and that an additional aid package without a time limit has been established, it is necessary to examine whether the investment aid is appropriate. The Swedish National Audit Office has audited the part of the aid that has been used to build more places in special housing for the elderly, which means that for the most part, the portion that has been put toward the construction of sheltered housing did not fall within the scope of the audit.

## Purpose

The following audit question has been formulated and used in the implementation of the audit:

- Was the investment aid structured in such a way that it stimulated the construction of more places in special housing for the elderly, so that the overall number of places increased?

To clarify the issue, the following sub-questions based on the aid's goal of creating more places were used:

1. Was the structure of the aid based on known knowledge of the effects of the investment aid, as well as the problems particular to geriatric care?
2. Was the aid customized according to the municipalities' responsibility to provide places in special housing as needed?
3. Was the aid customized according to municipal construction and planning processes?

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## Conclusions

The Swedish National Audit Office concludes that for the most part, the aid was not appropriately structured.

Investment aid is intended to provide an incentive to build more places. Technically speaking, the investment aid was thus structured in the manner one might expect. However, the audited investment support had another purpose: to improve geriatric care. This means that the aid has yet another dimension. The Swedish National Audit Office believes that the Swedish Government took a proven way to support developers and applied it to a context where it does not quite fit. Special housing is more than just a place to stay. It also involves organizing health care and long-term care for the elderly.

### No knowledge of whether the overall objective has been achieved

The overall objective of the aid was to increase the number of places in special housing. The Swedish National Audit Office has observed that while the aid was present, the number of places in special housing increased. However, it is not possible to know how great the net access to places was, because no one knows how many places were phased out. Nor is it possible to know how many of the places in special housing built during the aid period would also have been built without the investment aid. There is much to suggest that the structure of the aid, as with other forms of investment aid, resulted in the funding of places which would have been built regardless, but that have now been built with a financial margin for the developer.

### A variety of problems were the basis for the aid

The Swedish National Audit Office has identified two main reasons why the aid was introduced: many places in special housing disappeared after the Ädel reform, and that the number of unimplemented decisions about special housing had increased. However, although many places disappeared, few municipalities reported a shortage of places in special housing. The aid now means that the Swedish State subsidized places in special housing, despite the fact that many municipalities have not experienced a shortage of places. It was also unclear whether unimplemented decisions were linked to the shortage of places in special housing or to the extensive phasing out of places. The fact that a decision is not implemented can have several different causes, but at the time there was a lack of knowledge of the precise causes.

On several occasions, the Swedish Government has attempted to solve the housing problem with investment aid. Follow ups and evaluations have failed to demonstrate any

clear effects. Thus, previously known knowledge indicated that the effects were unclear, both when the Government implemented its decision to introduce the aid and when the aid was extended. Based on the overall picture, the Swedish National Audit Office believes that the aid was not appropriately structured in a manner based on available knowledge of investment aid and the needs of the municipalities.

The audited investment aid is the basis for a new aid package without a time limit. Even if the new aid package is altered, for example with regard to amount limits, the basic features remain the same. The Government still has not structured the aid and follow-ups in such a way that one can determine the annual net increase in places.

## Despite different needs, a single type of measure was supported

In many cases, special housing is one of several solutions. The audit has indicated that the municipalities solve their geriatric care needs in different ways. At the same time, it is important to be aware that aid intended specifically for investments means that not all municipalities can use the aid for their geriatric care services. Just over a third of the country's municipalities have not received any aid. The primary reason for this is that they have not needed to build new special housing.

The audit also shows that it is difficult for municipalities to forecast their need. This means that municipalities that build special housing make an investment that affects the municipality's economy in the future, based on very uncertain ground.

## Several obstacles to building that the aid cannot alleviate

In addition to the difficulties of planning, there are also other factors that are associated with construction that the investment aid cannot alleviate, e.g., the availability of land, which varies between municipalities.

The audit also indicates that the number of different actors involved in the construction process and the management of geriatric care has increased, and that in some cases the municipality's role is therefore different than it was when the aid was first introduced, while the structure of the aid has largely remained the same. With an unchanged structure in a changing context, there is a risk that the aid will become less successful than ever in acting as a stimulus in its intended area and will therefore become less relevant. Tying up money in aid that is not used cannot be considered to constitute the good management of government resources.

The Swedish National Audit Office would also like to stress that it is still the responsibility and obligation of the municipality to provide geriatric care and special housing.

## Recommendations

There is currently an investment aid package that despite some minor changes is very similar to the aid that has been audited. The current investment aid is still structured as a directed contribution to the developer. It is the opinion of the Swedish National Audit Office that financial contributions which the State provides for welfare activities should primarily be provided through general government subsidies in the municipal equalization system. The municipalities have chosen different strategies by which to organize their geriatric care, and with a general subsidy, the municipalities can use the funds according to their circumstances and needs. At the same time, the Swedish National Audit Office understands that the Government would particularly like to support the municipalities in their responsibility to provide health care and long-term care according to need and in the municipalities' obligation to provide places in special housing. The number of older people will increase in the future and more municipalities than in the past now report that they have a shortage of places in special housing.

The Swedish National Audit Office has found that it is primarily need that governs the construction of special housing, but if the Government wishes to support municipalities so that the number of places will be in line with future needs, it is above all geriatric care operations that require support, because that is where the major costs are incurred. This indicates that the contribution should be based on a more general subsidy. It would also mean that all the municipalities can take advantage of the subsidy and that it can also be used for other aspects of geriatric care. However, the risk is that such a subsidy will not primarily go to municipalities where the geriatric care needs are the greatest. The Swedish National Audit Office therefore proposes that the subsidy could be allocated based on the number of elderly persons. Such a solution has been applied to age-related subsidies in the past. Regardless of the structure of the aid, it is important to follow the national development of needs and access to the number of places in special housing.

The Swedish National Audit Office therefore submits the following recommendations to the Government:

- Consider converting the funds which are currently allocated as investment aid to a more general financial support for municipal geriatric care and allocate them based on the number of older persons in each municipality, preferably in SEK per inhabitant aged 85 and older.

- Follow the development of special housing and create a consensus on the situation with the municipalities.